

MOTION BY SUPERVISOR ZEV YAROSLAVSKY

August 20, 2013

Medicare Part D drug coverage assists individuals over the age of 65 with the high cost of prescription drugs. The Part D Retiree Drug Subsidy program (RDS) was designed to encourage employers to continue providing high quality prescription drug coverage to their retirees.

The Los Angeles County Employees' Retirement Association (LACERA) participates in the RDS Program. LACERA pays a percentage of the insurance premium for its retirees' health plans, which include drug coverage. The retired members buy the drugs and pay a small co-pay; the insurance company pays the rest. Under the RDS program, LACERA then submits claims to the Federal government, which reimburses the plan sponsor – in our case, the County, not LACERA – for a share of the cost.

MOTION

MOLINA _____

YAROSLAVSKY _____

KNABE _____

ANTONOVICH _____

RIDLEY-THOMAS _____

In 2008, LACERA submitted claims for RDS reimbursement on 21,922 of its members, yielding a recovery of \$4,546,374 for the County, according to published statistics. That same year, the Los Angeles Unified School District submitted for slightly fewer members, but achieved a recovery in excess of \$12 million. In 2007, LACERA recovered \$218 per member for whom it requested reimbursement, while LAUSD recovered \$576. These statistics suggest that the County could be leaving as much as \$7 million “on the table” each year.

On August 28, 2012 this Board approved my motion instructing the Chief Executive Officer to work LACERA to ensure that the County, as Plan Sponsor for LACERA’s retiree health plan, has received, and will continue to receive, the maximum possible cost recovery through the Retiree Drug Subsidy program, including requesting recovery of prior-year costs. In the nearly one full year since this motion was passed, LACERA submitted a request to the Centers for Medicare & Medicaid Services (CMS), which administers Medicare, to reopen its findings on LACERA’s RDS submission for 2007. This request has been approved with respect to one insurer; however, CMS has yet to decide whether additional reimbursement is warranted. LACERA has prepared a Request for Proposals for an audit of RDS submissions to CMS for the years 2008 – 2012, which has not yet been released. LACERA apparently has made no changes to its current modus operandi for processing RDS reimbursement requests.

The beneficiary of additional reimbursements under the Medicare Part D Retiree Drug Subsidy program will be the County General Fund – not LACERA. It is therefore incumbent upon the County to make every reasonable effort to see that LACERA takes all possible steps to maximize reimbursements under this program.

I, THEREFORE, MOVE that the Chief Executive Officer, with the assistance of the Auditor-Controller and the Treasurer & Tax Collector (an ex officio member of LACERA's Board of Retirement), be instructed to report to this Board within one month, and thereafter quarterly, on action taken by all parties in response to the August 28, 2012 motion concerning the Medicare Part D Retiree Drug Subsidy program, in an effort to achieve the maximum possible cost recovery for the County.

ABK S:\Medicare Part D follow up